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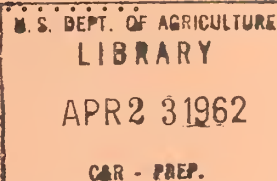
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CSS BACKGROUND INFORMATION

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CSS PRODUCTION ADJUSTMENT PROGRAMS



Congress has authorized a number of programs which include the objective of helping to adjust the production and marketing of farm crops. Among those currently administered by the Commodity Stabilization Service are:

1. Acreage allotments and marketing quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment-quota programs are currently in effect for five of the six so-called basic crops -- wheat, cotton, rice, peanuts, and most types of tobacco. Corn, the other "basic" crop, has never had marketing quotas, and allotments were ended with the 1958 crop.
2. The Conservation Reserve of the Soil Bank. While this program also has conservation objectives, specific acreages of cropland are held out of production under term contracts.
3. The Sugar Program. This program includes the establishment of acreage "proportionate shares," allotted to farms producing sugar beets or sugarcane in order to assure each producer a fair share of the national acreage limitations for the crops.

Questions are sometimes asked about the degree of "involuntary controls" imposed on producers by the acreage allotment-marketing quota programs. If allotments alone are in effect, those who harvest excess acres usually lose the privilege of taking part in the price support programs available for the crop. This may be an impelling motive to stay within allotments, but there is no penalty on the excess production.

Marketing quotas, which can be used with acreage allotment programs under conditions of heavy supply, provide a stricter form of control. When quotas are in effect, all producers who are not covered by certain exemptions are subject to penalties on production from their "excess" acreage if they fail to comply with allotments. They also usually lose price support privileges. However, marketing quotas cannot be put into effect unless approved by two-thirds or more of the eligible producers who vote in national referendums.

Under the controlling legislation, marketing quotas can be applied only to the five basic crops already mentioned. There is no comparable limitation with regard to acreage allotments, but allotments are currently in effect only for the same five crops -- in addition to the "proportionate shares" of the Sugar Program. There are no direct "production controls" on other crops.

Because eligibility for price support is usually dependent upon compliance with any allotment programs which are in effect, a brief review of price support provisions is given later in this background statement.

Allotment-Quota History

Acreage allotments were first used in connection with the programs carried out under the Agricultural Adjustment Act of 1933, under which farmers contracted with the Federal Government to adjust production. Beginning in 1936, allotments were established under the Agricultural Conservation Program for certain "soil-depleting" crops in an effort to encourage farmers to produce in accordance with requirements for food and fiber. In 1938, the basic legislation (Agricultural Adjustment Act of 1938) providing current programs of acreage allotments and marketing quotas was enacted. The legislative section on peanuts was added to the Act in 1941.

Prewar

Acreage allotments, which the Agricultural Adjustment Act of 1938 directed to be proclaimed each year, were used for basic crops from 1938 to 1943. During these years, marketing quotas were also used for cotton, wheat, peanuts, and tobacco, though not every year for the crops other than cotton.

War Adjustments

With the beginning of World War II, the situation changed. While production of basic crops continued large, demand for most commodities far exceeded available supplies. Acreage allotments for corn and cotton were at first relaxed and then lifted entirely, together with allotments for wheat and rice; during the year 1943, marketing quotas were terminated for the 1942 crop of wheat and for 1943 crops of wheat, cotton, fire-cured and dark air-cured tobacco, and peanuts. From 1943 to 1949, allotments were not used as a part of the farm program except in connection with marketing quotas for certain kinds of tobacco, which were covered by special legislation during the war years. Marketing quotas were proclaimed and approved for the 1948 crop of peanuts, but were later terminated because of the world shortage of foods, fats, and oils.

Postwar

From 1949 through 1960, acreage allotments only (marked "A") and marketing quotas, operating through allotments, (marked "Q") were in effect for the basic crops as follows:

	1949	'50 ^{1/}	'51	'52	'53	'54	'55	'56	'57	'58	'59	'60
Wheat (beginning with 1956, effective only in commercial wheat States) . . .	A	A ^{2/}						Q	Q	Q	Q	Q
Cotton (upland).	Q					Q	Q	Q	Q	Q	Q	Q
Cotton (extra long staple)						Q	Q	Q	Q	Q	Q	Q
Rice	A	A ^{2/}						Q	Q	Q	Q	Q
Peanuts	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
Tobacco, major types . . .	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
Corn (in commercial counties)	A ^{1/}	A ^{2/}				A	A	A ^{3/}	A	A	<u>4/</u>	<u>4/</u>

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- 1/ In 1950, allotments were also in effect for dry beans and potatoes (commercial); corn allotments were effective only in the "commercial corn area," defined by law.
 - 2/ For 1951, wheat and rice allotments were in effect for a time, but were terminated early in 1951; corn allotments were terminated before announcement of the actual allotment.
 - 3/ Allotments used only in connection with price-support determination; superseded by larger "base acreages" for commercial corn-producing area.
 - 4/ Growers voted to end corn allotments in a Nov. 25, 1958 referendum.

Current

For 1960, both allotments and quotas are in effect for all basic crops except corn -- to which they do not apply since growers voted in November 1958 to eliminate corn acreage allotments -- and Pennsylvania cigar-filler (type 41) tobacco for which growers disapproved marketing quotas.

National acreage allotments for 1960 crops are: Wheat, 55 million acres; cotton (upland), 16 million acres (Because of minimum farm allotments, however, and the special program for the 1960 crop, the acreage available for apportionment to growers is increased to 17,527,880 acres. See also p. 6, explanation of special 1959 and 1960 programs.); cotton (extra long staple), 64,776 acres; rice, 1,652,596 acres; peanuts, 1,611,701 acres. Tobacco acreages allotted for 1960 are: Flue-cured (types 11-14), 713,397 acres;

burley (t. 31), 309,490 acres; Virginia sun-cured (t. 37), 4,194 acres; fire-cured (t. 21), 9,112 acres; fire-cured (t. 22, 23), 32,699 acres; dark air-cured (t. 35, 36), 15,779 acres; cigar-binder (t. 51, 52), 11,834 acres; cigar-filler and binder (t. 42, 43, 44, 53, 54, & 55), 25,172 acres; Maryland (t. 32), 48,773 acres.

Latest referendums on marketing quotas for basic crops were held on the following listed dates, with the results indicated:

<u>Crop</u>	<u>Date</u>	<u>Total Votes</u>	<u>Percent "Yes" of Total Votes Cast</u>
Cotton, upland ('60 crop)	Dec. 15, 1959	188,349	95.2
Cotton, extra long staple ('60 crop)	Dec. 15, 1959	861	85.0
Wheat ('61 crop)	July 21, 1960	178,718	37.4
Rice ('60 crop)	Dec. 15, 1959	6,168	90.5
Peanuts ('60-'62 crops)	Dec. 15, 1959	33,598	94.9
Tobacco:			
Flue-cured ('59-'61 crops)	Dec. 15, 1958	176,607	95.4
Burley ('59-'61 crops)	Feb. 24, 1959	190,453	98.7
Fire-cured ('58-'60 crops)	Feb. 18, 1958	8,821	96.0
Dark air-cured ('58-'60 crops)	Feb. 18, 1958	8,381	96.6
Cigar-binder ('60-'62 crops)	Feb. 11, 1960	797	89.7
Cigar-filler & binder ('60-'62 crops)	Feb. 11, 1960	3,805	95.4
Va. sun-cured ('59-'61 crops)	Feb. 24, 1959	1,128	97.9
Pa. cigar-filler ('59-'61 crops)	Feb. 24, 1959	2,382	7.91/
Maryland ('60-'62 crops)	Feb. 2, 1960	5,958	77.8

1/ Quotas disapproved, since not favored by at least two-thirds of total votes.

How Acreage Allotments Work

The Secretary of Agriculture proclaims acreage allotments for wheat and rice each year unless they are suspended because of emergency conditions. Allotments for cotton, peanuts, and tobacco are announced in connection with marketing quotas.

Dates by which acreage allotments must be announced are May 15 for wheat and December 31 for rice. (Wheat allotments are effective only in the "commercial" States -- those having allotments of more than 25,000 acres.) See "How Marketing Quotas Work," p. 6, for dates of announcements on cotton, peanuts, and tobacco.

Method of Apportioning Allotments

The first step under an allotment program is to establish the national acreage allotment. For wheat and rice, this is done directly; for cotton and peanuts, it is done indirectly; for tobacco, no national acreage allotment as such is determined.

For wheat and rice, a national acreage allotment is established which, with average yields, would produce enough for domestic consumption, exports, and reserve supplies. For cotton and peanuts, a national marketing quota (the amount of the crop to be produced the following year) is first proclaimed and then converted into a national acreage allotment. (For all four of these crops, however, legislation provides minimums below which the allotment or quota may not be established, regardless of the amount needed.)

These national allotments are divided among the States producing the commodities, generally on the basis of production history. (States with wheat allotments of 25,000 acres or less may be designated as "outside the commercial wheat-producing area" for that marketing year. Neither wheat allotments nor quotas are applicable to farms in non-commercial States.)

The method for dividing the State allotments among farms varies according to the commodity. State allotments for peanuts are apportioned directly among individual farms. State allotments for some rice States are allocated first to rice producers and then to farms. State allotments for wheat (those over 25,000 acres), cotton, and certain rice States, are apportioned first among counties and then the county allotment is apportioned among farms.

In the case of tobacco, a national marketing quota is proclaimed, divided among tobacco-producing States, and converted to State acreage allotments, which are then divided among tobacco farms in the State.

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Compliance with acreage allotments is required as a condition of eligibility for the full available price support. However, the Secretary of Agriculture is directed to provide a reasonable period of time before harvest within which any acreage of a basic crop in excess of the allotment for the crop may be adjusted by the farmer to the farm's acreage allotment.

Special Program

For the 1959 and 1960 crops of upland cotton, special legal provisions directed that upland cotton farm operators should have a choice between (A) and (B) farm allotments and price supports if quotas had not been disapproved for the crop. Under the law, the (B) farm allotments could be as much as 40 percent larger than the "regular" (A) farm allotments (the permitted increase each year to be decided by the Secretary of Agriculture), and the price support on Choice (B) cotton had to be 15 percent of parity less than on Choice (A) cotton. The price support on (A) cotton could not be less than 80 percent of parity for 1959 and not less than 75 percent of parity for 1960. Choice (B) farm allotments for both 1959 and 1960 were the full 40 percent larger than Choice (A) allotments; price support for the 1960 crop was at 60 percent of parity for Choice (B) cotton and 75 percent of parity for Choice (A) cotton. (For 1959, the supports were at 80 percent for eligible (A) cotton and 65 percent for (B) cotton.)

How Marketing Quotas Work

The Secretary of Agriculture is directed by law to proclaim marketing quotas generally when supplies of a basic crop are excessive. The level at which quotas must be proclaimed for a crop is specified by law.

Two exceptions to this rule are: (1) Marketing quotas must be proclaimed each year for peanuts, without regard to the supply situation; and (2) if quotas are once proclaimed for a particular kind of tobacco because of large supplies, legislation requires that 3-year quotas be proclaimed for that kind of tobacco for subsequent marketing years. (If tobacco growers have disapproved quotas for 3 years in succession, quotas may not be proclaimed which would be in effect within the 3-year period for which quotas were disapproved unless, prior to November 10 of the marketing year, one-fourth or more of the farmers engaged in production of such tobacco petition the Secretary to proclaim quotas.)

Quotas may not be used unless at least two-thirds of the "eligible" producers voting in a referendum approve their use. (Usually, an "eligible" grower is one who engaged in the production of the crop during the previous year; for wheat, however, an "eligible" grower is one who expects to harvest more than 15 acres of wheat as grain during the coming year. See also third paragraph p. 7.

Except for tobacco and peanuts, the growers vote only on quotas for the following year. For tobacco and peanuts, the vote is on quotas for 3 years; if growers vote disapproval of quotas, another referendum on 3-year quotas will be held the following year. (For exception to this rule for tobacco, see second paragraph in this section.)

Provision is made for increasing, suspending, or terminating quotas under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

Quotas seek to limit the marketing of the commodity during the marketing year by placing penalties of so much per pound or per bushel on marketings in excess of the quota. (In the case of wheat, cotton, and rice, the amount of the crop considered to be "excess" may be adjusted in the event of unusually low yields.)

In the case of wheat, quotas do not apply to wheat on farms with wheat acreages of 15 acres or less, and they do not apply to wheat produced under the feed wheat program (which -- without regard to allotment restrictions -- permits wheat production up to 30 acres for use only on the farm where grown.)

If growers disapprove quotas, price supports for most basic crops may be made available to cooperators (producers who comply with acreage allotments) only at 50 percent of parity and to noncooperators at such levels, not in excess of the level for cooperators, as the Secretary determines will facilitate the effective operation of the program. If tobacco quotas are disapproved, no price support may be made available for the particular kind and crop for which quotas were disapproved.

The level of supply of the various basic crops at which marketing quotas must be proclaimed and the dates of the proclamation and the referendum are as follows:

(see next page)

<u>Crop</u>	<u>Proclamation Supply Level</u>	<u>Proclamation Date</u>	<u>Referendum Date</u>
	<u>In excess of:</u>	<u>Not later than:</u>	
Cotton (upland)	Normal supply	Oct. 15	Not later than Dec. 15
Cotton (extra long staple)	Normal supply plus 8%	Oct. 15	Not later than Dec. 15
Peanuts	Proclaimed each year; supply does not govern	Nov. 30	Not later than Dec. 15
Rice	Normal supply	Dec. 31	Within 30 days
Tobacco	Reserve supply (normal supply plus 5%) <u>1/</u>	Dec. 1 (flue- cured) Feb. 1 (others)	Within 30 days Within 30 days
Wheat	Normal supply plus 20%	May 15	By July 25

1/ Since quotas have been proclaimed previously for each major kind of tobacco, legislation requires that quotas be announced each year without regard to the supply level. (See also page 6, second paragraph under "How Marketing Quotas Work.")

Price Support

Price support is mandatory for any basic crop provided growers have not disapproved marketing quotas for that crop.

Eligibility for the full price support on all of the basic crops (except corn) depends on compliance with the acreage allotment for that crop. (Allotments do not apply to corn.) Price support may be made available to noncooperators at such levels, not in excess of the level of price support to cooperators, as the Secretary of Agriculture determines will facilitate the effective operation of the program.

Support Levels

Price-support levels for crops of wheat and peanuts may range from 75 to 90 percent of parity, the minimum depending on the level of supply at the time of the determination. The range of support for extra long staple cotton is between 60 and 75 percent of parity. For upland cotton and rice, the maximum level of support is 90 percent of parity and the minimum levels are as follows: 75 percent of parity for the 1960 crop of upland cotton produced under Choice (A) allotments, and for the 1960 crop of rice; 70 percent of parity for the 1961 crops of upland cotton and rice; and 65 percent of parity for subsequent crops of upland cotton and rice. (For the support level on Choice (B) upland cotton, see p. 6, Special Program.)

If growers disapprove marketing quotas for any of the above-named crops -- wheat, peanuts, upland cotton, extra long staple cotton, or rice, price support for that commodity is made available by law at 50 percent of parity.

Legislation directs that price support on 1960 tobacco crops under quota programs be available at the 1959 levels. For the 1961 and subsequent tobacco crops for which quotas have not been disapproved, the legislation directs that the support level be determined by adjusting the 1959 support level upward or downward in proportion to changes in the parity index (prices paid by farmers, including interest, taxes, and wage rates), using the previous 3-year moving average. (Thus, the "changes in the parity index" will be determined according to the ratio of the average prices that farmers pay during the previous 3 years to the average of prices paid in 1959. The 1959 support level multiplied by this ratio will give the support level for the 1961 or any subsequent crop.)

Price support for corn is required at 90 percent of the average price received by farmers during the three preceding years, adjusted for marketings of abnormal amounts of low-grade corn, but not less than 65 percent of parity.

In the event of an emergency, the Secretary of Agriculture may increase the support above the specified parity level for any needed crop.

Soil Bank

Farmers took part in the Conservation Reserve of the Soil Bank by voluntarily contracting with CSS to "reserve" -- or withdraw -- a stated acreage of their general cropland from production for a period of 3, 5, or 10 years, and to devote it to an approved conservation practice. For this, the farmer received conservation assistance -- which could have amounted to as much as 80 percent of the practice cost, and annual payments to compensate for the loss of income the acreage would otherwise produce.

The Conservation Reserve has been in effect since 1956. Through 1960, about 28.7 million acres of cropland had been included in the Conservation Reserve. About 71 percent of this total program acreage is on farms on which all cropland is in the program.

The announced basic national average per-acre rate of the 1960 annual payment was \$13.50, and the new acreage placed in the program was about 6.3 million additional acres. Annual payments will continue to be made for the term of the contracts in effect, but authority to put new land in the program ended with the 1960 program.

Sugar Program

The Sugar Act of 1948 states that the prime objective of the sugar program is "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry."

As a part of the overall sugar program, direct payments are made to domestic producers of sugar beets and sugarcane, provided producers comply with certain labor, wage, price, and marketing requirements prescribed by law. "Proportionate shares" established for sugar-producing farms assure each individual producer of sugar beets or sugarcane an opportunity to produce his fair share of the sugar required. Payments are also provided for bona fide abandonment of planted acreage and crop deficiencies resulting directly from natural disasters such as drought, flood, or insects.

The sugar program also includes the determination of United States sugar consumption requirements, and the administration of quotas to regulate imports of sugar produced in foreign areas, as well as marketings of sugar produced in domestic areas.

PROGRAM ADMINISTRATION

CSS farm programs, as well as the Department of Agriculture's Agricultural Conservation Program, are administered in the field by Agricultural Stabilization and Conservation (ASC) farmer-committeemen.

In most States, the State ASC Committee consists of three members appointed by the Secretary of Agriculture for a period of one year. County and community ASC committees are elected by farmers participating in the program.

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